

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

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ADP BULLETIN

Title Update to Audit Assistance Guide		Issue Date: 5-19-99 Expiration Date:	Issue No. 99-17
Deputy Director Approval Ann Horn, Acting Deputy Director Division of Administration	Function []Information Management []Quality Assurance []Service Delivery [X]Fiscal []Administration	Supersedes Bulletin/ADP Letter No.	

PURPOSE

This bulletin is to provide an update to the Audit Assistance Guide (AAG), the last version of which was issued November 1, 1990. The AAG was issued primarily for the benefit of alcohol and drug treatment providers. It provided a basic framework for establishing an accounting system that facilitates compliance with funding source requirements. This guidance was provided to minimize the risk of audit exceptions.

DISCUSSION

The Department plans to review the AAG to evaluate the need for updates and revisions. As indicated in the Introduction, the AAG was not designed to contain the laws and regulations that apply to alcohol and drug programs. However, due to the mix and complexity of current funding requirements, any future updates/revisions to the AAG found to be necessary will provide statutory and regulatory references, as appropriate.

Appendix G of the AAG (the last appendix in the current version) does contain descriptions of some requirements and restrictions specific to determining allowability of costs. While the AAG has not been updated for changes in funding requirements and restrictions, the Department has provided such authoritative criteria references through a variety of written documents, sometimes followed up with regional training sessions. The primary means of communicating these requirements have been:

- ➡ County Plan Guidelines through FY 1993-94.
- ➡ Negotiated Net Amount and Drug Medi-Cal contracts beginning with FY 1994-95.
- ➡ ADP Letters and Bulletins explaining and clarifying the requirements.

The Audit Services Branch (ASB) has taken the opportunity to prepare a number of ADP Letters and Bulletins to discuss various fiscal issues from an audit perspective, as well as provide input for many other letters. These letters/bulletins have normally been issued when it is perceived that there are questions and misunderstandings, as well as when significant legislative changes occur. They have become the primary means of conveying relevant information to the field regarding issues that could have audit implications.

It has come to our attention that such information has not always reached its final user. Additionally, it is possible that not all final users may have organized the information in a way that allows for easy reference.

Therefore, we are proposing that all ADP bulletins identified as Fiscal and related to accounting for costs, allowability of costs, compliance issues which could result in financial disallowances, and general information regarding requirements and restrictions related to various types of funding be contained in an appendix of the AAG. The compilation of documents should be labeled "Appendix H." Enclosed is a summary document of the relevant information contained in each letter/bulletin.

In compiling these documents, we have gone back as far as ADP #95-45, issued October 16, 1995, to accumulate relevant information to include in the AAG. Due to the extensive amount of paper necessary to provide hard copy documents, we are not able to enclose all of the referenced ADP letters and bulletins. However, we have ensured that all of the bulletins are available on the Internet at <http://www.adp.cahwnet.gov>. Future ADP Bulletins which should be added to Appendix H of the AAG will contain a suggestion to that effect.

REFERENCES

See Exhibits.

HISTORY

See Discussion section above.

QUESTIONS/MAINTENANCE

If you have questions regarding this bulletin, please contact Sima Mann at (916) 322-0862 or Mike Hori at (916) 445-5067. If you need a copy of the Audit Assistance Guide and/or are unable to access specific ADP letters/bulletins referenced in Appendix H, please contact your county representative or Renae Anub at (916) 327-6937 or Cynthia Amaya at (916) 445-7993.

EXHIBITS

<u>Exhibit</u>	<u>Title</u>
1	Summary of Appendix H to Audit Assistance Guide

DISTRIBUTION

County Alcohol and Drug Program Administrators
County Fiscal Representatives
CAADPE
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AUDIT ASSISTANCE GUIDE SUMMARY OF APPENDIX H

ADP #95-45, October 16, 1995, Drug/Medi-Cal Billing Claim Guidelines, Fiscal Year 1995-96

In addition to claiming instructions, this letter explained the basic principles of cost allocation, as well as the impact of AB 911 on ODF reimbursement by Drug/Medi-Cal. Further, a definition of unrestricted funds was provided, a definition which was ultimately redefined in ADP Bulletin #98-18. ADP Bulletin #98-18 partially superseded ADP #95-45.

ADP #96-05

This letter provided a general description of the Lower of Cost or Charges (LCC) principle. Because it did not provide enough information for counties/providers to apply the principle, it was supplemented with ADP # 96-22.

ADP #96-22, April 17, 1996, Additional Information on the Lower of Costs or Charges Principle

This letter supplements and clarifies ADP #96-05, providing more information regarding how the LCC principle is applied. Additional information on this topic is presented in ADP #97-38, as related to Narcotic Treatment Programs under AB 2071.

ADP #96-27, June 3, 1996, Enforcement of ADP #96-09

This letter discussed how the Department would enforce the restrictions specified in ADP #96-09, which prohibited outpatient D/MC clinic certification for services to certain residential treatment clients.

ADP #96-31, June 18, 1996, OMB Circular A-133 Reminder Letter, FY 1994-95

This letter, in addition to reminding counties of the A-133 audit requirement, transmitted the most comprehensive listing of Federal requirements which ADP has made available. A compliance supplement was promised for the next year's reminder, which would provide specific guidance to auditors in testing for compliance with the requirements. The letter was only sent to the county administrators and direct service contractors.

It is noteworthy that the information contained in this document was prior to AB 2071, which changed the D/MC reimbursement process for Narcotic Treatment Programs.

Additionally, it should be noted that for those programs to which the requirements continue to apply, the D/MC threshold for defining a capital expenditure (i.e. equipment) has changed from \$500 to \$5,000 per item. This will require a change to Title 9, CCR, Section 9440 to implement this change at the state level.

Another change is in the monetary threshold above which an OMB Circular A-133 audit is required. At the time ADP #96-31 was written, receipt of \$250,000 or more in Federal awards required an A-133 audit. At this time, the threshold is \$300,000.

ADP #96-64, December 27, 1996, Prohibition of Profit on Federal Grants

This letter proclaimed the prohibition of profit on the SAPT Block Grant, referencing ambiguous and conflicting language in the Health and Safety Code. While legal analysis supported this position, intent of the legislation was the ultimate factor in reversing this position in ADP #97-66.

ADP #96-66, December 31, 1996, Allowable Funding Sources for Drug/Medi-Cal Costs

This letter described the funding sources which could be used to fund various services to D/MC beneficiaries. It provided a narrow definition of unrestricted funds, as not including State General Fund (SGF) or county matching funds.

ADP #97-24, April 25, 1997, OMB Circular A-133 Reminder Letter

This was another reminder letter for submission of OMB Circular A-133 audit reports. It did not contain the auditing compliance tests mentioned in the previous reminder letter. This was due to statements made by OMB that a detailed compliance supplement was to be issued by that agency.

ADP #97-26, April 25, 1997, Clarification of ADP 96-64

This was a question and answer letter to discuss ADP #96-64 in greater detail. These answers were modified in ADP #98-17.

ADP #97-38, June 25, 1997, Private Charge Structure Information For NTP Providers--Audit Bulletin

This letter detailed how the Lower of Cost or Charges requirement would now be applied under the AB 2071 system. This was augmented with a training session and discussion forum with NTP providers.

ADP #97-39, June 27, 1997, Narcotic Treatment Programs--Audit Bulletin

This letter provided a list of fiscal issues that NTP audits would continue to address under AB 2071. Specific consequences/actions were tied to the specific deficiencies.

ADP #97-66, November 25, 1997, Modification of ADP #96-64, Federal Grant Profit

This letter was a retraction of ADP #96-64 regarding the prohibition of profit on the SAPT Block Grant. This letter promised a subsequent letter to provide details of SAPT Block Grant fiscal restrictions.

ADP Bulletin #98-16, April 9, 1998, Federal Block Grant Expenditure Restrictions

This bulletin provided a description of the SAPT Block Grant fiscal restrictions promised in ADP #97-66. It discusses how allowability of costs will be considered under negotiated rate contracts. It also makes it clear that the building of profit into a negotiated rate is inappropriate.

ADP Bulletin #98-17, April 9, 1998, Profit on Federal Grants

This bulletin was to clarify, update, and modify answers provided in ADP #97-26 in regards to profit on SAPT Block Grant.

ADP Bulletin #98-18, April 9, 1998, Cost Allocation and Drug/Medi-Cal Reimbursement

This bulletin updated and superseded portions of ADP #95-45 and modified portions of ADP #96-66. State General Funds (and county matching funds) were added to the definition of unrestricted funds available to cover D/MC costs in excess of the D/MC maximum allowance (rate cap).

ADP Bulletin #98-31, June 18, 1998, Annual OMB Circular A-133 Reminder Letter for FY 1996-97

This was another reminder bulletin for submission of OMB Circular A-133 audit reports. At this time, the OMB compliance supplement was still awaited. However, when subsequently received, the detail for alcohol and drug services was missing.

ADP Bulletin #98-42, August 17, 1998, Fiscal/Audit Questions and Answers

This bulletin answered questions raised by the California Association of Addiction Recovery Resources (CAARR). Generally, the questions and answers provide the audit perspective on allowability and support for costs reimbursed with SAPT Block Grant and SGF, with an emphasis on residential treatment. Some DMC considerations are also mentioned. The bulletin does not deal with NTPs under AB 2071, which are no longer part of a cost-reimbursement or negotiated rate system.